



May 13, 2018

Dear Fellow East Siders:

I hope you enjoy Mother's Day. This week's letter reviews recent discussions about the City's unfunded pension liability and possible ways to resolve it.

Three weeks ago, a working group of City officials presented a [Report](#) on the City's pension that presented three messages. First, it described the history of the City's pension shortfall and the future risks it poses for the City. Second, it described a (non-exclusive) range of possible solutions and non-solutions. Third, it recommended that the City engage stakeholders to develop, over the next year, a realistic and sustainable 10-year plan to bring the pension out of "critical status" (i.e. funded at the 60% level or higher).

Since then, the City submitted legislation to the General Assembly to authorize a transaction concerning Providence Water, which is in discussions with the Narragansett Bay Commission (which manages the sewer systems of many Rhode Island communities). These actions have generated discussion and commentary concerning the City's pension, the working group report, and the possibility of a transaction involving Providence Water that would fund substantial relief for the Providence pension fund.

I am pleased these developments have revived discussion concerning the City's need to address the difficult problem of the City's pension before it becomes impossible to resolve. As the report indicates, a realistic, sustainable solution is going to require participation by all affected stakeholders based on their shared interest in not seeing the City fail. With that said, some already have raised objections which, though not unexpected, will need to be withdrawn (or overruled) in order for the City to survive.

The first internal objection came from the head of a union, who deemed the entire project fatally flawed because he was not consulted with regard to the initial report, stating this was a departure from the collaborative process successfully employed by former Mayor Taveras to resolve the City's 2011-12 fiscal hurricane. The statement was factually incorrect, as Mayor Taveras did not seek union permission or involvement when commissioning and publishing the March, 2011 Fiscal Review Panel report that identified the crisis he then addressed in a collaborative way. April's pension working group report follows the same script as former Mayor Taveras, calling for all stakeholders to work collaboratively to develop a plan to address the problem the report identifies. Nobody is challenging the substantial accuracy of the Report's contents; therefore, I remain hopeful people will act responsibly by address the concerns it raises on their merits in a cooperative and collaborative manner.

The first external objection has come from critics outside Providence who deny the City's claim to realize any financial return from Providence Water, even in the form of a transaction with the Narragansett Bay Commission that would preserve water quality by a quasi-public operator. These critics argue that the water supply is owned by all rate payers, not just the City. The argument ignores the historical fact that the City of Providence used City funds to build the original water supply and infrastructure. Had the City been a private business, it would be entitled to set rates based on the cost of providing the service, maintaining the infrastructure and realizing a profit on its investment. While it is true that much of Providence Water's current physical plant was paid for by the entire ratepayer base since the date of acquisition, residents in Cranston and Johnston (not to mention owners of tax-exempt property in Providence) cannot deny the historical fact that Providence taxpayers paid for the original land acquisition and construction; therefore, some portion of the system's current value belongs to the City's taxpayers, as is true by analogy to the owners of a private utility. While this amount may be less than the full value of the system, it is still significant. With that said, the City's claim to this relief will be strengthened if it is presented to the General Assembly as part of a comprehensive plan to address the pension through the participation of all internal as well as external stakeholders. For this reason, the City's employees, taxpayers and retirees are only hurting themselves if they refuse to share in solving this problem.

The recent discussion about the City's pension and the water supply has gotten off to a start, but there is a long way to go to reach a successful result. To quote Mark Twain, "denial ain't just a river in Egypt."

Sincerely,

A handwritten signature in blue ink that reads 'Samuel D. Zurier'.